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C O N F I D E N T I A L SECTION 01 OF 02 PRETORIA 003628

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DEPT FOR AF/S B. NEULING AND M. TABLER-STONE, EB/IFD, EB/OMA
LONDON, PARIS, BRUSSELS FOR AFRICA WATCHERS

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SUBJECT: GONO SAYS NO ADDITIONAL IMF PAYMENT; SEEKS
WASHINGTON MEETING

REF: PRETORIA 3543 AND PREVIOUS

Classified By: Charge d'Affaires, a.i. Don Teitelbaum
Reasons 1.4(b) and (d)

1. (C) Summary: Zimbabwe will not/not make an additional \$50 million payment to the IMF before the September 9 Executive Board meeting, according to Zimbabwe Reserve Bank Governor Gideon Gono. Gono would like to meet with U.S. officials on the margins of his IMF consultations in Washington, but requested that any talks be "very discreet," suggesting that he does not have President Mugabe's approval for the meeting. South Africa Minister Erwin confirmed publicly September 9 that the "difficult discussions" with Zimbabwe on a potential South African loan were continuing. Gono said the political conditions were the sticking point and suggested that the revival of the ZANU-PF-MDC "compromise constitution" was Pretoria's key political condition. Information received through Embassy source has been accurate in the past, but we cannot discount the possibility Gono misled source on this occasion. End Summary.

No Additional IMF Payment

2. (C) Zimbabwe Reserve Bank Governor Gideon Gono told Embassy contact Sydney Masamvu of the International Crisis Group (strictly protect) September 7 that despite press reports Zimbabwe will not/not make an additional \$50 million payment to the IMF before the September 9 Executive Council meeting. (Note: South African newspaper Business Day reported September 7 and 8 that Gono and Finance Minister Herbert Murerwa planned to "personally take the \$50 million cheque to the IMF," a payment that would be in addition to the \$120 million Zimbabwe paid on August 29. The article claimed that the GOZ raised the funds from the "local exporters' foreign currency account." End Note.)

3. (C) IMF Resident Representative in South Africa Vivek Arora (strictly protect), who was a member of the IMF team that recently visited Zimbabwe, told EconOff September 7 that he also was not aware of any additional planned payments to Zimbabwe's General Resources Account (GRA) at the IMF. Arora observed that if Zimbabwe did pay all its arrears on its General Resources Account (i.e., the remaining approximately \$50 million) there would be no legal basis for expelling Zimbabwe from the IMF. Arora said that last week's \$120 million payment and accompanying macroeconomic policy changes were probably sufficient to stave off expulsion, but that was up to the Executive Board. Arora dismissed press speculation that he took part in the recently-concluded IMF Mission to Harare to coordinate the IMF and South African Government plans for Zimbabwe. According to Arora, the IMF team simply needed another senior official present. He also complained that "about 70 percent of what appeared in local newspapers about the IMF mission to Zimbabwe was rubbish."

Gono Seeks Washington Meetings

4. (C) Gono told Masamvu that he would like to meet with senior U.S. officials during his trip to Washington. (Note: We understand that Gono departed Harare for Washington the evening of September 7. End note.) Gono stressed that any such meeting would have to be "very discreet." He suggested meeting the U.S. officials at the IMF, including perhaps the U.S. Executive Director. Masamvu said that Gono was nervous about meeting U.S. officials because he did not have the consent of President Mugabe. Characterizing the Zimbabwean Ambassador to Washington as a "Mugabe man," Masamvu said that Gono feared that the Ambassador might report any unauthorized Gono meetings to Mugabe.

South Africa Loan Talks Continuing

5. (C) Gono confirmed to Masamvu that the Zimbabwe-South Africa loan discussions were ongoing. He said that there was agreement on the economic conditions, but the political

conditions remained the sticking point. Gono said that Pretoria was pushing for a revival of the draft compromise constitution that Justice Minister Patrick Chinamasa and MDC Secretary General Welshman Ncube negotiated last year.

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Mugabe will appoint a two-member team to negotiate the political conditions; Finance Minister Murerwa (a "political lightweight" according to Masamvu) would not be part of the team.

16. (U) In September 7 parliamentary briefings, South African Minister of Public Enterprises Alec Erwin was quoted in the press as having said that the "difficult discussions" with the GOZ on the proposed South African loan were continuing. Erwin said that Minister of Finance Trevor Manuel and Reserve Bank Governor Tito Mboweni were taking the lead on the talks. He suggested that the initiative for the loan now lies with Harare; the loan "is not something South Africa has to drive." Erwin also said "if and when" an agreement is reached, the SAG would reveal the basic conditions of the loan, although some elements would be kept secret in the interest of market security.

Comment

17. (C) Information from Gono through ICG's Masamvu has proven accurate in the past. Gono knows that Masamvu talks to the U.S. Embassy in Pretoria, and it is possible that Gono misled Masamvu on the additional \$50 million to enhance the "element of surprise" when he announces the payment at the IMF Meeting in Washington. Other possibilities are that GOZ officials floated the \$50 million story to undermine lobbying for Zimbabwe's expulsion at the IMF, or that Gono is being kept in the dark about the rumored payment.

18. (C) Gono's report that the South Africans are demanding the revival of the "compromise constitution" as a political condition of their loan rings true. Advocate Gumbi told Ambassador Frazer August 19 that South Africa will push for the GOZ to accept at least elements of the negotiated constitution. President Mbeki said that demands are likely to be couched as "voluntary" moves by the GOZ. The SAG is painfully aware, however, that the \$120 million IMF payment undermines their leverage in the ongoing loan discussions.

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